

# TRANSCRIPTION - ORIGINAL FOLLOWS

SUMMARY: (C) Spearheaded by UNHCR, a substantial international refugee relief effort has managed so far to compensate Pakistan for a large number of the burdens imposed by hosting the world's largest refugee population. The international community has provided the majority of the refugees with food, shelter, and medical care and has to a more limited degree assisted in covering other refugee related costs. Should international support for UNHCR and WFP diminish substantially, the strain upon Pakistan's resources, up to now bearable, of caring for the refugees would become extremely difficult if not impossible to sustain. Any reduction of current levels of assistance would lead, in our view, to tension between local residents of Pakistan's

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ECONOMIC IMPACT OF AFGHAN REFUGEES UPON  
PAKISTAN

NEA RP  
(A) Islamabad 9778 (Reporting Plan) (NOTAL)  
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(C) Islamabad 5275 (NOTAL) NEA  
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SUMMARY: The spearheaded by UNHCR, a substantial international refugee relief effort has managed so far to compensate Pakistan for a large number of the burdens imposed by hosting the world's largest refugee population. The international community has provided the majority of the refugees with food, shelter, and medical care and has to a more limited degree assisted in covering other refugee related costs. While international support for UNHCR and its partners substantially, the strain upon Pakistan's resources, particularly of caring for the refugees, is extremely difficult if not impossible to sustain. The reduction of current international support will lead, in our view, to a significant deterioration of Pakistan's

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border provinces and the refugees which could provoke violence--now still rare--and a general backlash against the refugees' continued presence in Pakistan. Such circumstances should increase the chances that the GOP might abandon its stalwart opposition to the Soviet intervention in Afghanistan in favor of a policy of accommodation with the USSR and the regime of Babrak Karmal.

environment. The GOP must also contend with compensation claims against the Government by Pak landowners for lands now occupied and/or damaged by refugees settlements. Some of the GOP's expenses seem to be somewhat exaggerated, and the Government has at times made clumsy attempts to "recoup" its costs from the international community. Large numbers of the

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...the refugees which could provoke ... and a general backlash against the ... presence in Pakistan. Such circumstances ... the chances that the GOP might abandon its ... intervention in Afghanistan ... policy of accommodation with the USSR and the ... of Pakistan.

... the GOP has steadfastly resisted any suggestions that the refugee problem be "solved" by the permanent resettlement of the refugees in Pakistan. The refugees, ... estimated by the GOP at over 2.1 million, and their approximately 1 million grazing animals, have caused material damage to the delicate environment of Baluchistan and Northwest Frontier Provinces. Pasturelands, forests, potable water supplies and crops have all suffered, and this problem becomes increasingly more serious as the refugee population grows and stay of the Afghan refugees in Pakistan lengthens. Over time this issue must be addressed in a meaningful fashion. END SUMMARY.

(U) The latest GOP data show over 2.1 million Afghans registered as refugees in Pakistan, virtually all residing either in the Northwest Frontier Province (NWFP) or Baluchistan. The NWFP offers safehaven to the vast bulk--about 80 percent--of all the registered refugees. According to the GOP, the total cost of caring for the refugees during Pak FY 1981-82 (July 1, 1981-June 30, 1982) will exceed \$400 million. The international community, through UNHCR, WFP, assorted voluntary agencies and bilateral donations of cash and kind, will provide approximately half of that sum, and the GOP will provide the remainder from its own limited resources. External assistance covers most of Pakistan's development budget spending and the expense of sustaining a large refugee population has forced the GOP to cut back on badly needed social programs and development spending. During the current Pak FY, the GOP claims it will spend nearly \$164 million on monthly cash allowances to the refugees and in transportation of relief commodities. In addition, the GOP will incur large administrative expenditures in maintaining over 100 refugee camps in the NWFP and Baluchistan. Pakistan will also have to absorb a variety of "incidental" costs, such as wear-and-tear on roads and bridges, damage to pasture and forest land and further deterioration of the NWFP and Baluchistan economies. The GOP must also contend with compensation claims filed by Pak landowners for lands used for refugee settlements. Some of these claims are somewhat exaggerated, and the GOP has made some attempts to "recoup" its losses by selling some of the former owners of the

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refugees, for example do not receive the GOP-issued cash allowance, but by the same token, there is no meaningful accounting for other legitimate expenses incurred as a result of giving Afghans safehaven.

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refugees, for example, do not receive the GOP-issued cash allowances, but by the same token, there is no responsible accounting for other legitimate expenses incurred as a result of giving Afghans safehaven.

(LOU) The refugees are perceived by a majority of Pakistani citizens as having a direct and mostly negative impact upon the economies of NWFP and Baluchistan and there follows a brief discussion of the impact the refugees are having upon areas of the economy of particular concern to most Pakistanis.

(LOU) Essential Goods: Historically, Pakistanis have demonstrated great sensitivity to price increases in certain basic commodities, in particular sugar, flour and cooking oil. Sharp rises in the cost of these goods can and have had serious political repercussions. Provision of adequate supplies at reasonable price of these and other items to the refugees is, therefore, a high priority for the GOP. The international relief effort has been to a very large degree backstopped by the GOP's own resources, and this has allowed the GOP to, so far, keep the refugees fairly well supplied and largely off the local market. In both NWFP and Baluchistan, as in the rest of Pakistan, there has been an upward pressure on the prices of basic commodities, but it would be unfair to attribute all of these price increases to the presence of the refugees. This is not to say that the refugees are not blamed for price hikes. Thus far, however, grumbling about the refugee culpability for the increased price of basic goods has remained only grumbling. In fact, some residents of Peshawar and Quetta have expressed the belief that refugee "resale" of certain relief commodities, such as vegetable oil, has in fact helped keep down food prices.

(LOU) Essential Services: Many local residents claim that the refugees have had a significant impact upon the housing market. The arrival of thousands of refugees, some of them well-to-do, and the presence of UN and other refugee-connected organizations in Peshawar and Quetta, has strained the already limited housing market. The Mayor of Quetta has estimated that 10,000 refugees live within the city's limits and another 10,000 in the immediate environs. Although most of these refugees live either in tents or with friends and relatives, rents in Quetta have risen, and many local residents blame the increase on the refugees. The story is similar in Peshawar though the price rises are more dramatic. According to some local residents, large families or groups of Afghans will join together to rent a house or hotel room and drive up prices. Others have charged that landlords in both cities use the presence of

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refugees as an excuse to raise rents which were already climbing as a result of remittances from overseas Pakistani workers. The international relief effort by offering tents and other inducements to Afghans to reside in designated camps has helped to keep this problem under control.

(LOU) The refugee influx has also affected transportation. Many relief officials have pointed out that the pronounced recent increases in the cost of transporting freight by truck are directly attributable to the refugee presence. Some relief officials reported that they had been forced to divert funds from other purposes in order to pay the high rates demanded by truckers to haul relief supplies. Public transportation, overcrowded and inadequate before the refugees' arrival, has also been further burdened. The GOP, however, has been liberal in allowing refugee-owned trucks and buses to operate under temporary registrations in Baluchistan and NWFP--though in some cases the routes plied have been limited by local authorities. The refugee vehicles largely haul relief commodities from depots to refugee camps and refugees from outlying areas to urban centers. Some local operators have frequently complained that the Afghans do not pay the taxes and fees required of Pakistani operators. While such complaints are heard, the actual impact of Afghan-owned trucks and buses, 200-300, upon business opportunities for Pak operators appears minimal. A recent pledge by the United States to provide the GOP \$8 million worth of assistance to purchase and maintain trucks should permit the GOP to reduce its outlays for transportation costs.

(LOU) The Afghan influx has dramatically increased the load upon medical facilities as all hospitals, clinics, and dispensaries in NWFP and Baluchistan offer services to the refugees. The administrators of Peshawar's Khyber Teaching Hospital and Lady Reading Hospital estimate that up to 50 percent of their institutions' out-patients are Afghan refugees. The Quetta Hospital reportedly suffers from severe overcrowding which creates difficulties for local residents seeking to obtain even limited medical care. No hospital in the two provinces has more than a small supply and a limited range of medicines on hand, and Pakistani and Afghan patients have been forced to purchase medicine locally from their own resources.

(C) Ironically, the refugee relief effort may have contributed in some ways to the unfortunate medical situation in Baluchistan's and NWFP's urban areas. Although the additional financial burden to the hospitals is not great--services are provided generally by staff who would have to

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be paid anyhow- the GOP is in some areas offering salaries nearly double the average to attract health workers to the refugee camps. Improved medical care in the camps reduces the need for the refugees to use urban facilities, but the higher salaries paid refugee medical workers, according to some reports, have begun to draw away trained personnel from the cities. GOP policy prohibits foreign medical personnel, other than Afghan, from treating patients.

(LOU) Some residents of Baluchistan have expressed resentment over the amount of international attention and resources "lavished" upon the Afghans' health. As one resident of Baluchistan stated, the average Baluchi goes through life without ever seeing a doctor and, thus, cannot become too concerned if the refugees do not receive "adequate" medical care. In fact, the international refugee relief effort has provided the refugees with medical care superior to that available to them in Afghanistan. Pakistanis, despite the grumbling, have also benefited from the relief effort as health units set up for the refugees also treat local residents. UNHCR officials admit this is part of the price to be paid to minimize local resentment of the refugees, and they take pains to explain that future medical programs will include the local population.

(C) Employment and Business: There are no reported complaints of Afghan refugees displacing local residents from jobs, although some fears this could happen have been voiced. Those refugees in the NWFP who do work are generally employed as laborers on roads or in the construction industry, which is suffering a shortage of labor due to the migration of workers to other parts of Pakistan and the Persian Gulf. The GOP has put no legal restrictions on work by Afghans and has encouraged their employment on approved UNHCR projects as a way of keeping the refugees busy and out of trouble. Local authorities in Baluchistan, however, have reportedly prevented refugees from working for fear of antagonizing local residents. (Ref C) discusses in more detail relations between refugees and Baluchis.) In general, business competition from the refugees appears to have been minimal, but a few refugees have opened small shops, either in the camps or in towns, selling carpets, or trafficking in consumer items and relief goods.

(LOU) The Environment: Pakistanis can become agitated over the question of how much environmental damage the refugees and their three million grazing animals have caused in Baluchistan and NWFP. Landowners, perhaps with an eye on future compensation, assert that the refugees have destroyed or stolen crops, collapsed irrigation canals, polluted water

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supplies, permanently damaged forest and watershed areas, and generally reduced property values. Some local residents have compared the refugees to a plague of locusts because of their continuing search for firewood. In some areas the refugees have literally dug up the roots of the bushes and trees, including those in GOP-sponsored USAID and WFP reforestation projects, exposing the soil to wind and water erosion.

(LOU) The refugees have also put a strain upon other resources especially water and pastureland which were already suffering from poor management and over-exploitation. Baluchistan last year witnessed at least one violent clash between residents of Pishin and refugees over water; the refugees were accused of washing and defecating in the city's water supply. Baluchi farmers have charged that the refugees have lowered the water table and damage to grazing land is apparent in many areas. Contamination of potable water supplies and misuse of pastureland has, however, not been an exclusively refugee activity.

(LOU) In many parts of Pakistan, deterioration of the environment has long been a serious problem. The refugee presence has focused some attention of international agencies on Pakistan's environment. UNICEF and CARE have, for example, undertaken projects to provide water to regions where wells were scarce--an activity which benefits both locals and refugees. UNHCR, WFP and CARE have also drafted proposals, with GOP encouragement, to launch reforestation and limited agricultural projects; all of this points to the crucial role played by international organizations in moderating the impact of the refugees' presence.

(U) Prospects for the Future: Up to now, Pakistan has managed commendably well in dealing with the economic burden posed by the refugees. The Pakistani economy has been doing well, helped along by good harvests, over \$2 billion in annual remittances from overseas workers--whose emigration also opens up job opportunities for refugees--and generous pledges of foreign aid. In consequence, the refugees have experienced no starvation and only relatively few cases of severe malnutrition. In addition, they have not fallen victim to epidemics--though health authorities remain aware of this possibility--particularly since public health is an area where much more needs to be done.

(C) We believe the ability of the GOP and provincial authorities to cope with the world's largest refugee population depends on the final analysis upon the continued willingness of the international community to provide external assistance. Despite Pakistan's current relatively rosy economic picture, it is international donations which have enabled the country to cope with economic and political consequences arising from the presence of some two million Afghan refugees. With-

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out that support, the caring for the refugees would require a nationwide sharing of the burden, most likely including the potentially explosive resettling of numbers of refugees in the Punjab to decongest the NWFP and a resort, on a larger scale, to taxation schemes similar to the currently small but unpopular "President's Fund for Refugees"—financed by "voluntary" donations from businesses, civic organizations, local government bodies and individuals. Such developments would undercut Pakistan's economic development and even possibly its current domestic political stability. We must also conclude that a substantial decline in international refugee relief aid would increase the possibility that the GOP might seek an accommodation with the Soviets and their DRA puppet, an action which would seemingly destroy any long-term hope of freedom for the Afghan people.

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